



DEFENSE CONTRACT AUDIT AGENCY
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PSP 730.4.6

16 February 1996
96-PSP-20(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on DCAA Participation in the Common Process Initiative

We recently issued guidance on the subject new DoD initiative in MRD 96-PSP-013(R), dated January 30, 1996. The purpose of this memorandum is to provide additional audit guidance and recent developments on the initiative.

ADDITIONAL AUDIT GUIDANCE

In our January 30, 1996 memorandum, we advised that several contractors will be submitting concept papers (to request the use of a common process on government contracts) to management councils for review and approval. If the management council approves the contractor's request, the contracting officer will immediately execute block changes to authorize the use of the common process on existing contracts. The contractor should also update its forward pricing rates as soon as possible after the common process has been approved to incorporate the expected savings and costs from the new process.

RECENT DEVELOPMENTS

The Defense Contract Management Command recently issued three activity reports on the initiative that list the concept papers submitted to date. These three activity reports, dated January 16, February 1, and February 9, are attached for your information. We suggest that FAOs cognizant of the contractors that have submitted concept papers contact the responsible contracting officer to discuss and coordinate any needed financial advisory services.

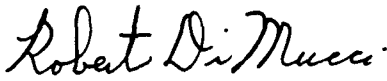
CONCLUDING REMARKS

We will continue to provide guidance on this initiative as needed and keep the field informed of new developments. Each region has designated a person in the Special Programs Office to help FAOs on issues that result from this new initiative. We will be participating in telecons with the Special Programs Office over the next several weeks to discuss issues and work "questions and answers" on the initiative. We will share the results of these telecons with the

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field. A "help line" has also been established in the Special Projects Division to provide real-time assistance to the regions and FAOs. The "help line" number is (703) 767-3290.


FOR Lawrence P. Uhlfelder
Assistant Director
Policy and Plans

Enclosures

1. January 16, 1996 DCMC Activity Report
2. February 1, 1996 DCMC Activity Report
3. February 9, 1996 DCMC Activity Report

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DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
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IN REPLY
REFER TO AQO

JAN 16 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Adoption of Common Process at Defense Contractor Facilities Activity

This updates you on our implementation of Secretary Perry's December 6, 1995 memorandum directing acceleration of common process block changes at contractor facilities. In my December 11, 1995 memo to you, I promised to provide you updates on the status of contractors' submissions. This is our first activity report. There have been no formal contractor submittals of concept papers since Secretary Perry's announcement. I have, however, attached for your information some data we received from our field activities. It is provided to give you a general sense of the type of initial discussions and actions taking place. I am initiating a more stringent reporting process to better gauge the progress of the initiative and will provide a weekly update starting February 2, 1996. It is imperative that we maintain a common front in encouraging and supporting contractor efforts to move to common processes.

A DCMC Common Process Management Team has been established to coordinate our actions. Thank you for your support in providing a representative to serve on the team. They have been very helpful in assisting us with our startup efforts.

If you have any questions or concerns, please contact Mr. Mike Vezeau, (703) 767-2471.

Robert W. Drewes
ROBERT W. DREWES
Major General, USAF
Commander

Attachment

cc:
MM
DCAA
DUSD(AR)



BLOCK CHANGE ACTIVITY REPORT

Initial Discussion Common Process

- AIL; Long Island, NY
 - Grumman; St. Augustine, FL
 - Lockheed Martin Armament Systems; Burlington, VT
 - Lockheed Martin Defense Systems; Pittsfield, MA
 - Loral Federal Systems; Owego, NY
 - Loral Vought (Northrop); Dallas, TX
 - Martin Marietta; Orlando, FL
 - Motorola; Mesa, AZ
 - Northrop Grumman; Bethpage, NY
-

- Grumman and DPRO are setting up a Management Council; process has not yet been selected.
- Both Lockheed facilities are in the concept stage and are looking at commercial standards.
- Loral Federal Systems and the DPRO have formed a joint Executive Committee to select processes for this initiative.
- Northrop Grumman is looking at implementing a common process in the quality area.

BLOCK CHANGE ACTIVITY REPORT

Active Discussion Common Process

- Allied Signal, Inc.
 - AVTRON Electronics
 - GE Aircraft Engines; Lynn, MA
 - ITT
 - Aerospace/Communication Division (ACD); Ft. Wayne, IN
 - Avionics Division; Clifton, NJ
 - Gilfillan Division; Van Nuys, CA
 - Electro-Optics Division (EOPD); Roanoke, VA
 - Federal Services Company (FSC); Colorado Springs, CO
 - Gallium Arsenide Technology Center (GTC); Roanoke, VA
 - Cannon Connectors; Santa Anna, CA
-

- General Electric Aircraft Engines, Lynn, MA and the DPRO are implementing a block change on Mil Std 1567A, Work Measurement as a nonvalue added requirement. Also working with NAVAIR and ATCOM on IPTs to go to commercial standards for the T-700 engine and conversion to ISO 9000.

- ITT has identified POCs at each of these divisions for implementing common process. Our ACOs have contacted these POCs to help facilitate the process.

BLOCK CHANGE ACTIVITY REPORT

Active Discussion Con't

- Lockheed Sanders, Inc.; Nashua, NH
 - Lockheed/Martin; ASTRO Space Div; Valley Forge, PA
 - Raytheon Electronics Systems
 - Andover, MA
 - Waltham, MA
 - Portsmouth, RI
 - Bristol, TN
 - Huntsville, AL
 - SCI Technology, Inc.; Huntsville, AL
 - Texas Instruments; Dallas, TX
 - UDLP; York, PA
-

- Lockheed Sanders, Nashua, NH and the DPRO are looking at using ISO 9001/2 system(s) in place of currently required Mil-Q-9858A and Mil-I-45208.

- Lockheed/Martin, ASTRO Space Division has established and implemented a standard procedure for doing Electro Static Discharge. They are also in initial discussion on conversion to ISO 9000.

- Raytheon Electronic Systems has merged its streamlining efforts under a Reinvention Lab which has generated 31 specific recommendations.

- SCI Technology, Inc. is looking at converting from Mil-Q-9858A to ISO 9000. They are also looking at calibration because of three different standards (Mil-Std 45662 and two ISO standards).

- Texas Instruments has identified 38 base specs (65 variants) related to electronic assembly and categorized them into 13 categories (represents 90% of savings) to select one spec to represent the group. Top eight of thirteen are: solder, quality, electro-static discharge, inspection, encapsulation, factory environment, calibration, and work/qual standards.

- UDLP Quality Round table has developed 22 clauses that normalize different requirements for Army contracts. BG Andrews, CG TACOM and Tom Rabaut, President of UDLP have each appointed "Czars". These czars have a committee of advisors made up of UDLP, Army, and DCMC personnel.



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DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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FEB -1, 1996

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION & TECHNOLOGY)
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Common Process Weekly Activity Report

This is the first activity report to update you on the implementation of Secretary Perry's December 6, 1995 memorandum directing acceleration of common process block changes at contractor facilities. This information will help us maintain a common front in encouraging and supporting contractor efforts to move to common processes.

There is considerable contractor interest. Our field offices state that many contractors are reviewing their process requirements in an effort to move toward a uniform, efficient common process. To date, five concept papers have been received. A summary of each concept paper is at attachment 1. The complete report will be issued to your representative on the block change management team. It is interesting to note that there is not one prevalent process identified.

Both the Army and the Air Force submitted a list of contractor facilities for suggested participation in this initiative. The program offices for each Service are actively working these facilities through their Program Executive Office structure. Our cognizant contract administration offices have contacted the facilities and informed them of the common process initiative and the Service's desire for them to participate. The results of our inquiries to the contractor facilities are at attachment 2.

There has also been considerable activity from the Program Executive Offices in informing the buying activities about this acquisition reform. Knowledge of the purpose and intent of this initiative must be spread more widely in order to succeed. There have been many requests for DCMC to educate the program offices. We need your continued support in reinforcing this important initiative.

If you have any questions or concerns, please contact Mr. Jim Bauer, Block Change Management Team Leader at (703) 767-2471.

ROBERT W. DREWES
Major General, USAF
Commander

Attachments

Summary of Concept Papers Received

1. Lockheed Martin Corp. of Orlando, FL submitted a concept paper on 12 Jan 96. They are proposing a change from MIL-Q-9858A/DoD-STD-2168/MIL-S-52779A to ISO 9000. The key customers affected are MICOM, ATCOM, ASC, and NAVAIR. In-house review and the positions are scheduled for completion NLT 12 Feb 96.
2. Northrop Grumman Corp. of Rolling Meadows, IL submitted a concept paper on 12 Jan 96. They are proposing a change to the calibration system by replacing obsolete MIL-STD-45662A with ISO 10012. The process has been reviewed by DCMC Chicago and DCAA and forwarded to the F-15 SPO at Wright-Patterson AFB for approval.
3. Lockheed Martin Technical Aircraft Systems of Ft. Worth, TX submitted a concept paper on 10 Jan 96. They are proposing to replace DoD-STD-2167, Defense System Software Development, and DoD-STD-2168, Defense System Software Quality Program with their in-house software quality assurance procedures. The key customers affected are F-16 SPO, F-22 SPO, and Hill AFB. The proposed change is being reviewed by the key customers, the DPRO, and the contractor. A VTC is scheduled for 2 Feb 96.
4. Texas Instruments, Inc. of Dallas, TX submitted a concept paper on 26 Jan 96. They are proposing the following: a change from MIL-Q-9858A to ISO 9000; replacing the canceled soldering MIL-STD 2000 with ANSI J STD 001; using ISO 9001 to replace MIL-Q-9858A for inspection and calibration; using ANSI J STD 001 for encapsulation; using IPC 610 to replace a wide range of acceptance criteria; using ANSI/EIA 625 a commercial spec for electro-static discharge sensitive device protection (more stringent than MIL-STD 1686); and a Texas Instrument environment facility developed standard. The key customers affected are NAVAIR, AF OGDEN, and MICOM. The key customers are in the process of reviewing the technical acceptability.
5. GE Aircraft Engines Evandale (GEAE), OH and Lynn, MA submitted a concept paper on 29 Jan 96. They are proposing to eliminate MIL-STD-1567A, Work Measurement, a canceled standard. This may fall under the category of a nonvalue added specification. The key customer affected is the propulsion SPO. An impasse has been reached on this proposal. GEAE is adamant that there will not be an alternative (commercial-based) system placed on the contract as an alternative process. GEAE has identified that they will continue performing certain functions without the presence of a military standard/requirement. If these functions are continued, all members of the government review team (DPRO/ASC) would be satisfied; however, the review team firmly believes these efforts should be defined either with a company specification or a performance specification/objective placed on the contract. GEAE feels that 'canceled without replacement' means the government has deleted the requirement for a particular system altogether. The customer feels that there is still a valid need for a system to track touch labor costs.

Army and Air Force Nominations for participation in the Common Process Initiative

Our contract administration office has contacted senior company officials (i.e., president, vice-president, or general manager) at each of these facilities. All were interested in the concept, with some contractors having a greater understanding than others. DCMC is working with the contractor and the customer to ensure that processes are identified and concept papers are submitted.

Army:

- + Lockheed-Martin: Lockheed-Martin, Orlando, FL has submitted a concept paper.
 - Lockheed-Martin, Sunnyvale, CA: considering the following areas:
 - performance schedule, property, and transition to ISO 9000
- + Loral Vought, Dallas, TX: considering the following areas: soldering, welding, mil specs, and business processes
- + Sikorsky, Stratford, CT: considering a transition from MIL-Q-9858A to ISO 9000
- + Motorola, Scottsdale, AZ: company is reviewing their processes
- + UDLP, York, PA: - considering a transition from MIL-Q-9858A to ISO 9000
 - transition to a streamlined Material Review Board (MRB) process
 - expand the use of welding criteria 12309000 (eliminate duplicative welding requirements)
- + AM General: company is reviewing their processes
- + Texas Instrument, McKinney, TX: concept paper submitted
- + McDonnell Douglas, Mesa, AZ: considering a transition from MIL-Q-9858A to ISO 9000
- + Oshkosh: company is reviewing their processes
- + ITT, Ft. Wayne, IN: company is reviewing their processes

Air Force:

- + Boeing Aircraft Company, Seattle, WA: - considering a transition from MIL-Q-9858A to ISO 9000
 - standardize printed circuit board repair by eliminating MIL-P-55110
 - standardize two soldering processes at their commercial and military electronics facilities
 - specifications and standards: studying DoD efforts to eliminate, combine, or replace the "hot" 105 military specifications and standards with best commercial practices
- + Hughes Missile Systems, Tucson, AZ: considering a total of 13 processes; the major ones being:
 - a common configuration management process among the services
 - a common soldering specification
 - a common process for testing the reliability and quality of the end product

Army and Air Force Nominations for participation in the Common Process Initiative

- + Lockheed Martin; Sunnyvale, CA: considering the following areas: performance schedule, property, and transition to ISO 9000
- + Loral Command and Control; Colorado Springs, CO: company is reviewing their processes
- + McDonnell Douglas; St. Louis, MO: considering property issues (disposal, contractor property representative)
- + Rockwell International; Seal Beach, CA: company is reviewing their processes



IN REPLY
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FEB 9 1996



**MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION & TECHNOLOGY)
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT & ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)**

SUBJECT: Common Process Weekly Activity Report


This is the second activity report updating you on the implementation of the single process initiative at contractor facilities. This information will help us maintain a common front in encouraging and supporting contractor efforts to move to common processes.

Three new concept papers were received. A summary of each concept paper is at Attachment 1. The complete report will be issued to your representative on the block change management team. Updates to the previously submitted concept papers are at Attachment 2.

A letter has been sent to the National Aeronautics and Space Administration (NASA) and 15 other agencies informing them of this DoD acquisition reform initiative and the role the Defense Contract Management Command (DCMC) shall play in its implementation. Their assistance was requested at those facilities with both defense and civilian agency business in order to realize the full benefits of this reform effort. We are scheduled to meet with the NASA Associate Administrator for Safety and Mission Assurance next week to further discuss this initiative.

The DoD Deputy Inspector General (IG) was briefed on the common process initiative on January 30, 1996. The DoD IG office plans to inspect the block change modifications completed at both McDonnell Douglas, St. Louis, MO, and Texas Instruments, Dallas, TX (tentatively scheduled for the first week in March).

If you have any questions or concerns, please contact Mr. Jim Bauer, Block Change Management Team Leader, at (703) 767-2471.


ROBERT W. DREWES
Major General, USAF
Commander

Attachments
cc: MM

Enclosure 3



Summary of New Concept Papers Received

1. Raytheon Electronic Systems executed a block change modification on February 7, 1996. The modification authorized: (1) replacement of all soldering military specs or standards with ANSI/J-STD-001A Class 3; (2) deletion of requirements specifying approval of Class 2 engineering changes by the PCO and allowing submission in contractor format to the PCO after DCMC concurrence; (3) substitution of process controls for inspection or test requirements below the end item level necessary for final acceptance; (4) elimination of physical configuration audits; (5) elimination of annual recertification of test stations; (6) deletion of the requirement in MIL-STD-1520 (Correction Action and Disposition System for Nonconforming Material) that requires submissions to the Material Review Board of minor nonconformances; (7) reduction of the baseline and manpower formats of the Cost Performance Report; (8) deletion of the annual submission of cost data summary reports; (9) replacement of MIL-STD-45662A (calibration) with ANSI Z540; and (10) deletion of the requirement for the rescreening of components. The key customers are MICOM, NAVSEA, NAVAIR, and AFSC. Raytheon will deliver cost proposals on significant impacts by February 29, 1996.

2. GE Aircraft Engines Evandale (GEAE), OH, and Lynn, MA, submitted a concept paper on February 5, 1996. They are proposing a change from MIL-Q-9858A to ISO 9001. The key customers are ASC/LP (Propulsion SPO) and NAVAIR. The concept paper is being reviewed by the Government review team for adequacy.

3. GE Aircraft Engines Evandale (GEAE), OH, and Lynn, MA, submitted another concept paper on February 5, 1996. They are proposing to remove without replacement MIL-STD-1520 (Correction Action and Disposition System for Nonconforming Material). The key customers are ASC/LP (Propulsion SPO) and NAVAIR. The concept paper is being reviewed by the Government review team for adequacy.

Update on Previous Concept Papers Received
(Note: Updates in Italics)

1. Lockheed Martin Corp. of Orlando, FL, submitted a concept paper on January 12, 1996. They are proposing a change from MIL-Q-9858A/DoD-STD-2168/MIL-S-52779A to ISO 9000. The key customers affected are MICOM, ATCOM, ASC, and NAVAIR. In-house review and the positions are scheduled for completion NLT February 12, 1996. *No change.*
2. Northrop Grumman Corp. of Rolling Meadows, IL, submitted a concept paper on January 12, 1996. They are proposing a change to the calibration system by replacing obsolete MIL-STD-45662A with ISO 10012. The process has been reviewed by DCMC Chicago and DCAA and forwarded to the F-15 SPO at Wright-Patterson AFB for approval. *No change.*
3. Lockheed Martin Technical Aircraft Systems of Ft. Worth, TX, submitted a concept paper on January 16, 1996. They are proposing to replace DoD-STD-2167, Defense System Software Development, and DoD-STD-2168, Defense System Software Quality Program, with their in-house software quality assurance procedures. The key customers affected are F-16 SPO, F-22 SPO, and Hill AFB. The proposed change is being reviewed by the key customers, the DPRO, and the contractor. A VTC is scheduled for February 2, 1996. *Dr. Halpin is working with the F-16 SPO on the shift from MIL STDs to contractor common process for software. The February 2 VTC was delayed by the F-16 SPO OPR (date TBD) to ensure various key customers were notified and could support such a meeting at the F-16 SPO.*
4. Texas Instruments (TI), Inc., of Dallas, TX, submitted a concept paper on January 26, 1996. They are proposing the following: a change from MIL-Q-9858A to ISO 9000; replacing the canceled soldering MIL-STD-2000 with ANSI J STD 001; using ISO 9001 to replace MIL-Q-9858A for inspection and calibration; using ANSI J STD 001 for encapsulation; using IPC 610 to replace a wide range of acceptance criteria; using ANSI/EIA 625 a commercial spec for electrostatic discharge sensitive device protection (more stringent than MIL-STD-1686); and a Texas Instrument environment facility developed standard. The key customers affected are NAVAIR, AF OGDEN, and MICOM. The key customers are in the process of reviewing the technical acceptability. *Three meetings are scheduled at TI. The first is a joint TI/Government High-speed Anti-radiation Missile (HARM) production team meeting, February 6-8, to discuss opportunities that the Perry Initiatives offer and plan how HARM can best implement these methods. Component team members and functional/technical experts who will evaluate the proposed common process will be identified at the component/program assessment team meeting February 8-9. Dr. Kaminski will be briefed by TI on their proposed common process on February 9.*
5. GE Aircraft Engines Evandale (GEAE), OH and Lynn, MA submitted a concept paper on January 29, 1996. They are proposing to eliminate MIL-STD-1567A, Work Measurement, a canceled standard. This may fall under the category of a nonvalue added specification. The key customer affected is the propulsion SPO. An impasse has been reached on this proposal. GEAE is adamant that there will not be an alternative (commercial-based) system placed on the contract as an alternative process. GEAE has identified that they will continue performing certain functions without the presence of a military standard/requirement. If these functions are continued, all members of the Government review team (DPRO/ASC) would be satisfied; however, the review team firmly believes these efforts should be defined either with a company

specification or a performance specification/objective placed on the contract. GEAE feels that 'canceled without replacement' means the Government has deleted the requirement for a particular system altogether. The customer feels that there is still a valid need for a system to track touch labor costs. *No change.*